Preparing the December 2013 European Council on Security and Defence
Interim Report by the High Representative

<div align="right">Brussels, 24 July 2013</div>

"I would say there are three cases for security and defence. The first is political, and it concerns fulfilling Europe's ambitions on the world stage. The second is operational: ensuring that Europe has the right military capabilities to be able to act. And the third is economic: here it's about jobs, innovation and growth".

<div align="right">HRVP / Head of the Agency speech at the EDA annual conference, Brussels 21 March 2013</div>

I. The strategic context

The debate on capabilities, military or civilian, needs to flow from **an understanding of the strategic context,** building on the solid basis of the 2003 European Security Strategy and its 2008 implementation report. This first part of the interim report sets out the strategic context, puts forward priorities, and assesses the state of play of CSDP against this overall background.

Europe's geostrategic position today is marked by increased **global volatility, emerging security challenges, the US rebalancing towards the Asia-Pacific and the impact of the financial crisis.**

The world as a whole faces increased volatility, complexity and uncertainty. A multipolar and interconnected international system is changing the nature of power. The distinction between internal and external security is breaking down. Complex layers of governance and new patterns of interdependence empower new players and give rise to new challenges. As a result, state power is becoming more fragile. Among the drivers for this are: changing demographics and population growth, embedded inequalities, and new technologies.

Intra-state conflict, with the potential to transcend national boundaries, has become more commonplace. This is also true of the EU's neighbourhood, where, in particular to the south, the Arab spring while full of promise has also led to increased instability and conflict. To the east of the EU, frozen conflicts remain, the most recent outbreak of open conflict having occurred in August 2008. In the Balkans, and in spite of remarkable progress over the last decades, unfinished business remains. Increasingly also, the "neighbours of the neighbours" are being affected, e.g. in the Sahel or in the Horn of Africa, two regions where the Union is conducting up to five crisis management missions.

In addition to long-standing threats - weapons of mass destruction, terrorism, failed states, regional conflict and organized crime - there are also new security threats, such as cyber attacks, as well as new risks such as the consequences of climate change and increased competition for resources both at a national and international level.

To address these challenges, **the transatlantic relation remains essential.** The renewed emphasis by the US on the Asia-Pacific region is a logical consequence of

geostrategic developments. **It also means that Europe must assume greater responsibility for its own security.**

Recent military operations have demonstrated that Europeans lack some of the necessary capabilities, in particular in terms of strategic enablers. In addition, the financial crisis is further eroding Europe's military capabilities, while in other parts of the world defence spending is increasing. According to a recent report by SIPRI, global defence spending is shifting "from the West to the rest"[1]. **Europe needs to assess and develop its security and defence posture in light of these geostrategic developments.**

At the same time, the **European defence market** is feeling the effects of the financial crisis. Europe's defence industries are not only important for our security, by providing capabilities for our armed forces, but also for jobs, growth and innovation. Yet the European defence market remains fragmented in terms of demand and supply. The question is whether this is sustainable in view of today's economic and budgetary realities.

> *Europe faces rising security challenges, within a changing strategic context, while the financial crisis is increasingly affecting its security and defence capability. These developments warrant a strategic debate among Heads of State and Government.*

Such a debate at the top level must set priorities. I wish from the outset to set out my view on priorities:

- The Union must be able to act decisively **as a security provider**, in partnership where possible but autonomously where necessary, in its neighbourhood, including through direct intervention. Strategic autonomy must materialize first in the EU's neighbourhood.
- The ability to **engage with partners** is crucial in any crisis. The EU must build regional and bilateral partnerships to be able to both cooperate in crisis management and help build the capacity of partner organisations and third states.
- The Union must be able to protect its interests by **contributing to international security, help resolving crises and projecting power**. The EU's call for an international order based on rule of law needs to be backed up by credible civilian and military capabilities of the right type, when required.
- In a context of increased volatility and new threats, there is a particular need to improve rapid engagement. In the military dimension, the EU should be able to engage **all 5 environments** (land, air, maritime, space and cyber). In addition to our traditional yet increasing dependence on security at sea, we have become more and more dependent on space assets – indispensable in today's operations - and on the ability to operate in cyberspace.
- The **comprehensive approach** – the use of the various instruments at the disposal of the Union in a strategically coherent and effective manner - must also apply to capability development, to make best use of scarce resources.

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[1] Stockholm International Peace Research Institute 2013 Yearbook "Armaments, disarmament and international security".

We need to place CSDP within this overall context, and against these priorities.

There have been many positive achievements during the 15 years since St. Malo and the Cologne European Council. The EU has created structures, procedures, decision-making bodies for CSDP and has acquired considerable operational experience, having deployed close to 30 missions and operations in three continents. It has developed partnerships with the UN, NATO and the African Union.

The Union is currently deploying, through CSDP, more than 7,000 civilian and military personnel. More importantly, the engagement of our men and women in the field is **producing results**: thanks to the leadership of EU maritime operation Atalanta the scourge of piracy off the coast of Somalia has been drastically reduced; thanks to the training provided by EUTM Somalia to 3000 Somali recruits and the EU funding of AMISOM, security in Somalia has greatly improved. EUPOL Afghanistan has trained up to 5,000 Afghan police officers, and EULEX Kosovo plays a key role in accompanying implementation of the recent Belgrade-Pristina agreement. In the Sahel, the Union is deploying a military mission (EUTM Mali) and a civilian mission (EUCAP Niger Sahel), both of which contribute to stabilizing the region. The impact of CSDP has raised interest among many partners (the US, Asia, Middle-East,…). **In short, the EU has become an effective security provider, and is increasingly being recognized as such.**

But CSDP also faces **challenges**: there is no agreed long-term vision on the future of CSDP. Decision-making on new operations or missions is often cumbersome and long. And securing Member States' commitment to support missions and operations, especially when it comes to accepting risk and costs, can be challenging, resulting in force generation difficulties. CSDP also faces recurrent capability shortfalls, either due to a lack of commitment or because the capabilities are not available, and various legal and financial constraints, resulting in difficulties to act rapidly.

Recent trends include:
- CSDP is becoming part of a wider, **more comprehensive approach**, i.e. part of a strategically coherent use of EU instruments.
- A tendency towards **capacity-building** missions in support of conflict prevention, crisis management, or post conflict management: indirect action to complement direct action.
- CSDP is increasingly an integral part of bilateral relationships with third countries and with international and/or regional organisations. Concrete cooperation providing the basis for the development of security and defence dialogues. This also results in an increased number of **security and defence dialogues** with partners.

The combination of expanding security challenges and contracting financial resources points toward **growing interdependence** within the Union to effectively provide security for its citizens, now and in the long term. No Member State alone can face all of the security challenges; nor do they have to. Doing more in common, to cooperate and coordinate more, is increasingly necessary.

And in that context, there is a need to address the question of defence budgets overall, the imbalances in defence spending within Europe as well as the duplication in capability terms among Member States.

The security of Europe has been a historic prerequisite for its economic welfare; we now need to avoid that Europe's economic difficulties affect its capacity to maintain its own security. For the EU to live up to its role as security provider means that European citizens and the international community need to be able to trust and rely on the EU to deliver when the situation demands. We must move from discussion to delivery.

The following paragraphs contain suggestions and proposals to that effect, following the EC 2012 tasking and structured on that basis.

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II. Proposals and actions to strengthen CSDP

Cluster 1: Increase the effectiveness, visibility and impact of CSDP

1. Further develop the comprehensive approach to conflict prevention, crisis management and stabilisation

The Union has at its disposal many **external relations policies and tools** - spanning diplomatic, security, defence, financial, trade, development and humanitarian aid, as well as the external dimension of EU internal policies - to deliver the end result that Member States and the international community seek. This is the EU's main strength as an international actor. To better communicate this approach, work on a Joint (High Representative/Commission) Communication on the Comprehensive Approach is in hand. It can build on successful concrete examples, e.g. in the Horn of Africa or the Sahel.

CSDP crisis management instruments are by nature short term, whereas development instruments are by nature long term: though objectives and decision-making procedures are different, this allows for natural synergies and complementarities enabled by an early and intense dialogue between the respective players. A **better alignment between short term and long term instruments** is needed.

More concretely, the revised Suggestions for **Crisis Management Procedures** were endorsed by PSC at the end of June. They aim at streamlining the CSDP decision-making procedures, whilst at the same time ensuring joined-up EU action principally by using shared awareness and joint analysis across the EU, thereby establishing synergies and complementarity from the outset. Individual tools can then deliver within their own decision-making processes the activity required to reach the shared objective.

In addition, a proposal for a revised **Exercise Policy**, which will build common understanding and help prepare for more effective, rapid and comprehensive CSDP action, will be put forward in September.

Way forward:
- put forward a Joint Communication on the comprehensive approach, a policy document to lock in progress achieved and provide the basis for further concrete work;
-the European Council to endorse and give renewed impetus to the comprehensive approach;

A joined-up approach enhances overall impact and enduring results. A number **of regional or sectorial strategies** are in place or under development to ensure such an approach, in addition to the existing Horn of Africa and Sahel strategic frameworks. This is also valid for the Balkans, which is moving closer to the EU, and where a variety of EU tools and instruments are being used.

Way forward:
- as regards specific CSDP activity, need to further strengthen a regional perspective and ensure close cooperation and alignment between the different CSDP missions and operations in a region (Sahel, HoA, Balkans), as well as political/development activities to increase impact, effectiveness and visibility;
- continue elaborating or updating regional security strategies;
- as regards the Balkans, consider the EU's wider approach to the region, including as regards crisis management engagement

2. Improve CSDP visibility

It is important to communicate to the public at large that **security and defence "matters"** now, and that it will matter in the future, even if our citizens do not see an immediate military threat. Heads of State and Government are uniquely placed to pass this message to a wider public, and we should not miss that occasion.

The upcoming European Council discussion has already provided an opportunity to raise the visibility of CSDP in general. The EEAS, in collaboration with the General Secretariat of the Council and the Commission, is working on a **specific communication campaign.** This needs to be linked to the communication efforts of the Member States.

However, a further long-term analysis of our target audiences, messages and tools will be needed to improve CSDP's visibility in a **sustainable** way.

We also need to further promote a common security and defence culture. In this context, the **European Security and Defence College** is currently being placed on a new footing, to strengthen a common culture in CSDP and promote training initiatives. The **EU Institute for Security Studies** contributes to further develop a common European security culture by enriching the strategic debate, providing analyses and fora for discussion.

Way forward:
- the European Council to express a strong commitment to CSDP and to fully grasp the occasion to communicate to wider public on "security and defence matters"; a specific website will be developed for the EC in December, with a web-documentary,

3. Respond to upcoming security challenges ('networked security')

The importance of **networks** in today's globalized world can hardly be overestimated. Satellite navigation and imagery, ubiquitous use of computers, access to energy: these affect the daily life of citizens. **The security of space, cyber and energy networks is crucial for our modern societies.** There are multifaceted, complex security challenges relating to these networks. As a result, instruments, policies and activities need to be coordinated and prioritised.

Progress in these various domains is unequal, but they are being addressed:

- **Cyber**: A joint Commission-High Representative Cyber Security Strategy has been published, and endorsed by the Council. The strategy recommends focusing on enhanced EU-wide cooperation to improve the resilience of critical cyber assets, as well as on training, education, crisis management procedures and cyber exercises.

- **Space**: The EU and its Member States need to protect their space assets (e.g. Galileo). To the degree that the EU role in space evolves, the security and CFSP dimensions of the European space policy will develop. Space must be considered in all its aspects, encompassing technology, innovation and industrial policy, and must ensure strong civil-military coordination. The EU continues to strongly promote a Code of Conduct for outer space activities.

- **Energy**: energy security is a major objective of the EU energy policy and a major political challenge for the EU and its Member States. Foreign Ministers have been discussing how foreign policy can support EU energy security. The EDA and the EU Military staff are addressing this further as regards capability development aspects as well as measures to improve energy efficiency by the military.

Way forward:
- The European Council to recognize the importance of cyber, space and energy networks for European security
- Cyber infrastructure has to become more secure and resilient both within the EU and outside. The EU should support international best practices and also take a leading role in preserving Internet freedom and openness as well as related fundamental rights.
- The Union should take the necessary steps to ensure the integrity and availability of space systems. The EU will play its part in establishing the European Space Situational Awareness capability, based on assets from Member States and in cooperation with partners. The EU needs to prepare for its role in space-related crisis management in case its assets would be affected

4. Increase our ability to address the challenges at our borders

Europe's maritime security is an integral part of its overall security. It is a crucial domain. Modern economies depend heavily on open sea lanes and the freedom to navigate (90% of European trade is by sea): the warehouses of the past are now permanently at sea. In the near future, new sea lanes could open up with important geostrategic implications.

The EU has **strategic maritime interests** around the globe and needs to be able to safeguard them against significant maritime risks and threats - ranging from illegal fishing, accidents at sea, terrorism, trans-border and organised crime, maritime piracy and armed robbery at sea to territorial maritime disputes and acts of aggression or armed conflict between states.

To be a credible and effective partner, the EU needs a strategic, coherent, functional and cost-effective approach to maritime security. We can build on the successes of EU NAVFOR Atalanta, the first naval operation of the EU, and on a significant number of other maritime security related EU initiatives to internal and external capacity building. The purpose of a **European Maritime Security Strategy** is to bind all these together.

Way forward:
- put forward a HR/Commission Maritime Security Strategy and build upon it to foster concrete progress in the areas of joint awareness and collective response

5. Allow for deployment of the right assets, timely and effectively on the whole spectrum of crisis management operations

Acting quickly as crises develop can make the difference. The revised Crisis Management Procedures have further improved the fast track procedure.

A **holistic approach** to Rapid Response is necessary, encompassing the various domains, civilian and military, but also the various tools.

There is, first of all, an **unused potential of the Lisbon Treaty** in terms of rapid deployment. The Treaty provides for the creation of a Start-Up Fund decision on a **start-up fund** made up of Member States' contributions for CSDP tasks which are, or cannot be, charged to the Union budget. However, so far, there appears to be no consensus on creating such a Fund.

Secondly, **Article 44** opens up the possibility for the Council to entrust a task to a Group of Member States. This article could be used in the context of rapid reaction, when consensus exists, and a group of Member States is willing to provide capabilities and take action on behalf of the Union.

As regards the **rapid deployment of civilian missions**, over the last months a **broad consensus** has emerged about the **need to further improve the performance and**

efficiency in the planning, organisation, support and conduct of civilian CSDP missions, in particular as to the speed of deployment.

Following this**, a roadmap** has been established to tackle shortcomings for effective deployment of civilian missions, inter alia concerning financial rules, logistics, staff selection processes and mission planning. It puts forward proposals on ownership, political buy-in, sustainability, rapidity of deployment and financial support, and mission support. Work on these various strands needs to be taken forward between now and December, and further impetus may be required at the level of the European Council.

Meeting the logistic needs of new CSDP missions, in particular during start-up, will be further enabled through the **permanent CSDP Warehouse** that became operational in June 2013. The Warehouse has the capacity to store strategic equipment primarily for effective rapid deployment of 200 personnel into the area of operation of a newly launched mission within 30 days from the approval of the Crisis Management Concept by the Political and Security Committee. It was used for providing equipment to EUBAM Libya. As regards mission support, a feasibility study on the creation of a **shared services centre** was launched by the European Commission.

Defence Ministers discussed in April 2013 the **EU Battlegroups (EUBGs)**, highlighting the need to improve their effective employment and operational relevance. EUBGs have been and are still instrumental for helping reinforce the interoperability and effectiveness of Member States' military forces, but they have yet to be deployed. Work is under way to increase their usability in the field, while maintaining the level of ambition and sticking to the common commitment of all MS to the EUBGs. Work is also in hand on improving advanced planning on the most likely crisis scenarios requiring the use of an EU rapid and developing further EUBGs' certification and exercises.

In addition, there would be value in further developing the EU rapid response toolbox, e.g. the development of structured civil-military **rapid reaction assessment teams**.

In parallel, **cost sharing or common funding**, while being sensitive issues, must be addressed to foster MS' involvement and help find consensus on BGs or other Rapid response assets deployment.

Effective CSDP deployments require the right support. EDA has developed tools for joint procurement and pooling demand (in particular for logistics and satellite communications) in support of CSDP operations and the EU Battlegroups, and to provide secure connectivity and capability and training in countering Improvised Explosive Devices (IEDs).

Way forward:
 - In the context of rapid response, consider the Lisbon Treaty articles (article 44 and the Start-Up Fund);
- Implement the roadmap on rapid deployment of civilian missions, for stocktaking in December and further impetus if required;
- Ministers to endorse a new approach to EU's rapid response assets including the Battlegroups in November; for endorsement by the European Council;

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6. Increase the focus on conflict prevention and post conflict management

Conflict is cyclical. 90% of violent conflicts occur in places that have previous similar experience in the past thirty years. It is therefore often difficult to neatly sequence conflict prevention and peace-building actions. In this regard, however, all CSDP missions and operations may be seen as directly or indirectly contributing to conflict prevention, and some have this objective at the core of their mandate.

More generally, **conflict analysis** is a key requirement for exploring options available to the EU in terms of conflict prevention and peace-building, on the basis of a shared understanding of the causes, actors and dynamics of violent conflict. Furthermore, **an early warning system** is also being developed to analyse short and long-term risks of violent conflict more generally and identify early response options. This system has already been piloted in the Sahel region and is about to be rolled-out further. Finally, the crisis preparedness component of the Instrument for Stability continues to fund the training of civilian and police experts to participate in stabilization missions.

With regard to **post-conflict management**, **conflict sensitive programming** is essential in order to ensure that, to the extent possible, EU actions avoid negative impacts and maximise positive impacts on conflict dynamics, thereby contributing to conflict prevention, peace building and long-term sustainable development.

A joined-up approach, including through joint efforts or **joint programming with EU Member States** has the potential to further strengthen the EU's impact and its contribution to conflict prevention and sustainable development.

In this context, **enabling partners has become a core capability**. Building on the close cooperation with the United Nations, CSDP is increasingly used for activities/operations that aim to enhance and enable the capacities of local or regional partners, e.g. in Niger, Mali, Somalia. We need to address how to better prepare for this type of Training, Advice and Capacity Building, both through operational activity, financial instruments and longer-term programmes such as the support to the African Peace and Security Architecture. In this context, the EEAS engagement in the AMANI Exercise Cycle with the African Union is one visible and concrete measure.

Among the constraints that exist are the following: the EU can train, but often it cannot equip. Also, under current rules, CSDP missions and operations are not able to act as implementing agencies for actions financed via other EU instruments. We need to look at appropriate options to address the **equipment challenge**, working closely with Member States. In addition, the EDA could assists in identifying equipment, not least in the area of SSR, which could be eligible for EU funding.

> *- address the "train and equip" challenge from various angles.*

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Cluster 2: Enhance the development of capabilities

7. Allow for systematic and more long term European defence cooperation

Cooperation in the area of military capability development has become essential. **Cooperation allows Member States to develop and acquire capabilities together,** making best use of potential economies of scale and to enhance military effectiveness. Pooling & Sharing was launched to address this, and good progress has been achieved. Through intensive staff to staff context, there has been close and intensive cooperation with NATO in the context of NATO's Smart Defence initiative. Indeed, the strategic context and the impact of the financial crisis have made even more compelling the case for de-confliction on capability development.

A strong impulse is required at European Council level, both to embed Pooling & Sharing in Member States' defence planning and decision-making processes, and to deliver key capabilities through major projects.

In line with the Code of Conduct on Pooling & Sharing, there is scope for greater **transparency between Member States**, including on potential budget cuts, national defence strategies or "White Books" and national defence procurement planning. This would facilitate the identification of capability gaps and/or duplications.

Member States should be encouraged to **share their future plans for key capabilities** in order to address existing capability shortfalls. The future threats and challenges are such that some **convergence of defence capability plans** is essential in order to ensure that European capabilities collectively will be suitable to face them in the post-2025 framework.

Significant gains can be made by drawing from existing **lessons learned** from reforms in procurement, management and past cooperative projects, to facilitate further national reforms. In addition, the creation of a mechanism to share lessons identified / best practice associated with the various elements of **defence reform** might prove useful.

Rationalisation of demand to reduce the number of variants within collaborative programmes is a powerful catalyst for interoperability of European forces, and would generate significant economies. In particular, there should be a greater push for **common requirements**. This would reduce the number of variants of the same type of equipment, maximise economies of scale, and enhance interoperability. There is also scope for efficiencies and improved interoperability through **Pooling & Sharing in the support area** (the in-service phase of a major system accounts for around two-thirds of its total through-life cost).

In order to make cooperation more systematic, the European Council should also decide on **incentives for defence cooperation** in Europe, including of a fiscal nature. Protecting cooperative projects and initiatives **from budget cuts would act as a real incentive. Innovative financing arrangements** (Private Finance Initiative or Public Private Partnerships) can be considered.

Special focus should be given to key enablers (Air to Air Refuelling, Intelligence Surveillance and Reconnaissance, and Satellite Communications; enablers in the maritime and land domains could also be identified).

In addition to addressing the shortfalls that we know, MS could engage in a reflection on **major enabling capabilities Europeans will need in the long term**.

In this context, a revision of the Capability Development Plan (CDP) is on-going. This, together with the review of the Headline Goal process and the updated Force Catalogue would form the basis to assess shortfalls and map the capability landscape of the future. This will assess longer-term trends and capability requirements, and contribute to the identification of priorities and collaborative opportunities.

Systematic and long term defence cooperation could be supported by a **strategic level Defence Roadmap**, approved by the European Council, setting out specific targets and timelines.

Finally, the Treaty provides for an opportunity for an enhanced form of cooperation through **Permanent Structured Cooperation**. While there have been initial exploratory discussions in 2009 and 2010 on the implementation of PESCO, the appetite to move forward seems limited at this stage.

Way forward:
- *promote greater convergence of defence planning of EU Member States;*
- *harmonize requirements covering the whole life-cycle;*
- *commit to extend cooperation in support activities, such as logistics and training;*
- *promote a strategic Defence Roadmap for systematic and long term defence cooperation, setting out specific targets and timelines*
- *decide on incentives for defence cooperation in Europe, including of a fiscal nature. Ring-fence cooperative projects from budget cuts. Explore innovative financing arrangements (PFI/PPP);*
- *Permanent Structured Cooperation: discuss with Member States their willingness to make full use of the Lisbon provisions on PESCO*

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8. Focus on delivering key capabilities

Member States' commitment is now required to major projects in Air to Air refuelling and Satellite Communication' and Remotely Piloted Air Systems and Cyber Defence.

In **Air to Air Refuelling** (AAR), the objective is to reduce European operational dependency. While short and mid-term solutions are being implemented within the EDA framework to increase tankers/receivers interoperability and maximize the use of existing assets, the establishment of a multinational multirole tankers fleet, foreseen

for 2020, is under way. There is a significant difference in the requirement for tankers between peace-time and crises. The challenge is to develop mechanisms to generate a crisis-time capacity with readiness compatible with the risks, whilst optimising the peace-time use of the capability. Member States could contribute to a single centralised "brokerage office" where receiver training requirements and tanker opportunities could be matched.

Pioneer Projects have been promoted by EDA to develop capabilities that have both military and civil applications. They are designed to harness synergies in the military and civil domains; maximise dual-use technologies; generate economies of scale; and extend the comprehensive approach into the area of capabilities development. Ministers have endorsed proposals to prepare two such projects, in the areas of Remotely Piloted Aircraft Systems (RPAS), and Cyber defence.

Remotely Piloted Aircraft Systems (RPAS RPAS are likely to constitute a key capability for the future. They offer a broad spectrum of capabilities that can contribute to various aspects of EU-led military and civilian operations. In the civil domain they would provide surveillance inter alia in the following areas: border control and management; key infrastructure; disasters; environment; and agriculture. In the military sphere they have demonstrated their operational capacities, including for surveillance and information gathering. There are important political and industrial implications that will need to be addressed.

The objective is to **promote a European approach** for developing a key future capability. RPAS are a concrete example of a European comprehensive approach applied to capabilities: while being closely linked to Single European Sky, the development of RPAS can benefit from the various EU instruments and actors (regulation, technologies needed for air insertion and anti-collision, certification). There is also an urgent need to prepare the next generation of Medium Altitude Long Endurance (MALE) RPAS, while promoting common employment for the short term solution.

Governmental SATCOM offers the potential for a genuine dual-use cooperative European approach fully compliant with national sovereignty constraints. Member States' military satellite communication assets are currently fragmented in five nationally-owned constellations comprising a total of twelve satellites, whose operational lives are expected to end between 2018 and 2025. There is a basis for future sharing opportunities, prepare the next generation of governmental satellite communication, exploiting civ-mil synergies with SATCOM R&D programmes being performed at a European level and by exploring opportunities for innovative procurement schemes.

As regards **cyberdefence**, the objective is to establish a comprehensive European cooperation on cyberdefence. EDA activities, based on the recently adopted cyber strategy, focus on realistic deliverables within its remit and expertise: training and exercises, protection of headquarters, and Cyber Defence Research Agenda (focusing on dual technologies).

Way forward:

9. Facilitate synergies between bilateral, sub-regional, European and multilateral initiatives

Member States have made progress in enhancing defence cooperation in **clusters at the bilateral and regional, and indeed functional, levels**. Regional cooperation offers perhaps the best prospect for coordination/cooperation and sharing of reform processes. It may also yield faster results than initiatives at 28.

Sharing of Lessons Identified (LI) and best practices associated with ongoing national defence reform activities could facilitate future regional cooperation in the domains of e.g. new capability development projects, joint HQs and forces, jointly developed doctrine fostering greater inter-operability, shared logistics and maintenance facilities, training and education establishments.

One particular example that merits further examination is the European Airlift Transport Command (EATC), the blueprint of which could be extended to other types of capability.

The **Code of Conduct on Pooling & Sharing** provides a basis for transparency and coordination between regional clusters - as well as individual Member States - as a means to enhance and facilitate synergies and identify best practice. The first annual assessment of its implementation will be presented to ministers in November.

Way forward:
- In line with the Code of Conduct, EDA should provide an overarching framework for these clusters, to facilitate coordination, enhance transparency, and share lessons learned.
- Extend the European Airlift Transport Command (EATC) model to other areas.

10. Civilian capabilities

The majority of CSDP missions are of a civilian nature, and generating **civilian capabilities** remains a priority. Civilian force generation is more complex than on the military side, due to the requirements of selection procedures and to the shortages of personnel in specialised profiles.

Member States' continued engagement remains essential for the EU to overcome its shortfalls in civilian personnel for CSDP. In that regard, some positive steps were taken, for instance: the increasing number of Member States with a **national strategy** or equivalent to foster national capacity building for CSDP missions; and progress made in establishing **national budget lines for civilian crisis management**.

The implementation of the **multi-annual Capability Development Plan** agreed last year helps support MS' efforts to address gaps and ensure that in the future the required capabilities will be available. This is being implemented through a number of concrete activities.

First of all, the ongoing mapping of Member States' **niche capabilities** provides a picture of national units and/or specialised teams' readiness for CSDP deployment. Furthermore, we continue to engage the **European Gendarmerie Force**. Their participation in the exploratory mission to Mali has been effective. A formal declaration is expected by the end of this year, which will facilitate appropriate support when rapid deployment of robust policing assets is at stake.

As **internal and external security aspects** are increasingly interlinked, we continue to strengthen ties between CSDP and Freedom/Security/Justice actors so as to foster a greater understanding of respective objectives and ensure mutual benefits (including Rule of Law capabilities provided to CSDP missions). Exchange of information needs to continue to stimulate the political awareness and allow for identifying added value and avoiding overlap.

In terms of concrete work, we are encouraging the greater involvement of **EU Agencies** (EUROPOL, FRONTEX) in CSDP missions to benefit from their high expertise. The close association of FRONTEX in the planning and launch of the civilian mission EUBAM Libya is a recent example of this co-operation. Additionally, based on the successful experience of EUFNAVFOR ATALANTA - with the circulation of data collected via **Interpol's** channels - we are exploring the possibility for a cooperation agreement with the latter organisation for CSDP operations and missions.

> *Way forward:*
> *- the European Council to call for renewed efforts in generating civilian capabilities*
> *- continue work on strengthening the ties between CSDP and FSJ and explore formalizing enhanced support of EU Agencies and Interpol to CSDP*

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Cluster 3: Strengthening Europe's defence industry

The European Commission has published a Communication on "Towards a more competitive and efficient defence and security sector" on 24 July.

11. Making a more integrated, sustainable, innovative and competitive EDTIB a reality

A strong, healthy and globally competitive **European Defence and Technological Industrial Base (EDTIB)** is a prerequisite for developing and sustaining defence capabilities and securing the strategic autonomy of Europe. It is also an invaluable part of Europe's wider economy. In 2011 Europe's Aerospace and Defence Industries

generated a turnover of €172 Billion and 734,000 direct jobs, and invested €16 Billion in R&D.

Declining defence budgets, combined with the fragmentation of European demand and supply requirements jeopardise the **sustainability of this strategic industrial asset.**

The concerted effort of all stakeholders (Member States, industry and the European Institutions) is required to safeguard the future of Europe's defence industrial base. This is particularly important for Member States whose investment decisions in defence R&T, demonstrators and programmes shape the industry's future. Without substantive and strengthened cooperation at European level, including through programmes, there will not be an EDTIB in the future.

Apart from a few notable exceptions**, no European government alone can launch major new programmes**: the necessary investments are too high and the national market is too small. With defence budgets under pressure, further market-driven industrial restructuring and consolidation is inevitable. The evolution of Europe's defence supply chain needs to be monitored at European level in order to identify and maintain the key industrial skills and competences necessary to meet future military capabilities.

The whole **defence supply chain** is of importance: from the prime contractor supplying systems-of-systems, through the range of intermediate suppliers including Small and Medium Enterprises (SMEs). **SMEs** are increasing in importance as a source of innovation and act as key enablers for competitiveness, even more so when part of a cluster. The EDA Steering Board in March endorsed an SME Action Plan.

EDA is developing, in close cooperation with its Member States and the European Commission, a market monitoring mechanism to provide objective data on the entire European Defence Equipment Market.

Security of Supply is intrinsically linked to an effective EDTIB as it underpins successful collaboration and operational autonomy. In view of this Member States are working with EDA on concrete measures to increase both short- and long-term Security of Supply, whether related to supply chains, European non-dependencies or investments in key industrial and technological capabilities.

Member States are also looking at ways to enhance their **political commitment** to assist and expedite each other's defence requirements, involve industry in this work and exchange information on existing national regulations on control of strategic assets.

Member States are also working with EDA on tangible measures in the areas of **standardisation, military airworthiness and certification**. This will benefit governments and industry alike by reducing the costs of testing and improving competitiveness.

Standardisation and the mutual recognition of processes or systems are key enablers for making Pooling & Sharing a reality. By working together, the military community

could develop a coordinated European approach similar to that in the civilian aviation sector. In 2008 EDA received a ministerial mandate for the development of military airworthiness regulation requirements, and significant progress has been achieved.

Way forward:
- *The European Council should encourage further efforts to strengthen the EDTIB, to ensure that it is able not only to meet the equipment requirements of Member States, but also remains globally competitive and stimulates jobs, innovation and growth.*
- *The European Council should encourage further efforts to enhance and broaden support arrangements on security of supply, and encourage further progress on hybrid standards, certification and military airworthiness.*
- *The European Council should incentivise the defence industry to pool and share, undertaking collaborative programmes/procurement as a first choice solution.*

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12. Stimulate synergies between civilian and defence R&T

From 2007 to 2011, defence Research & Development expenditure decreased by more than 18% and Research & Technology (R&T) by more than 20%. Moreover defence R&T is fragmented across Member States (more than 85% is still national): pooling resources would generate economies of scale. Strong investment is needed if Europe is to retain its R&T expertise. **Member States should be encouraged to use cooperation as the default option and commit to multi-annual investment in defence R&T through cooperation.**

Building on the list of **Critical Defence Technologies** elaborated in the EDA framework, the technologies that need to be maintained at the European level for defence, space, and the civil sector should be identified on a systematic basis to underpin long-term planning of European R&T.

Because technology is increasingly dual-use in nature, there is considerable potential for **synergies between civil and defence research.** The European Framework Cooperation, which coordinates and complements security and defence research work between the Commission, ESA and EDA, has proved its worth. These synergies should be exploited in a more systematic manner.

A **comprehensive research strategy** could exploit synergies between national dual-use programmes and European research, in areas such as RPAS, cyber, space, maritime security, green energy and key enabling technologies. As requested by EU Ministers of Defence in April 2013, this should lead to a more cooperative and integrated approach in support of Research and Technology. Among the options to consider are: access to EU instruments for dual-use research activities (Horizon 2020, Key Enabling Technologies, European Structural Funds); jointly funded R&T activities on the basis of the article 185 TFEU; and public-private partnership via the establishment of a joint undertaking on the basis of article 187 TFEU.

Since defence R&T carries risk due to uncertainty on the return of investment, **innovative funding solutions** should be explored for attracting private funding.

This approach should not be an excuse to reduce defence budget allocations., but rather to focus budget efforts toward the Critical Defence Technologies that need be maintained and developed at the European level, and to maximise the impact of investment.

Finally, there would be benefit in supporting a **Preparatory Action from the Commission on CSDP-related Research**, seeking synergies with national research programmes. The content and modalities would need to be prepared together between the Commission, Member States and EDA.

Way forward:
- The European Council could commit to halt/reverse successive cuts to defence R&T, and to undertaking more in cooperation. This could be further enhanced through joint research programmes with the European Commission through common funding with Member States; and/or Pre-commercial procurement and joint undertakings that leverage public-private funding.
- The European Council could endorse a comprehensive research strategy to exploit synergies between national dual-use programmes and European research.
- The European Council could decide on innovative funding solutions for stimulating private funding in defence R&T.
- The European Council should support a Preparatory Action from the Commission on CSDP-related Research, seeking synergies with national research programmes.

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III. The way forward

"The strategic, military and economic cases for defence are, for me, quite clear. What we need to make sure we have got is political will from the very top".

<div align="right">HRVP / Head of the Agency Speech at the EDA annual conference, Brussels 21 March 2013</div>

The Union needs to protect its interests and act as a **security provider** at the international level. To be credible, it requires capabilities and Member States commitment. A strong **industrial base** is needed to provide the capabilities, in addition to being a source of **jobs and growth** and a driver of innovation. This should be **communicated** better to citizens, and the European Council provides a concrete opportunity for that.

On the basis of a common understanding of the strategic context, the European Council should provide **strategic guidance for the further development of CSDP and defence cooperation in Europe.**

We need concrete deliverables as well as taskings for further development. Such **further development** could include:

- the exploitation of the Code of Conduct on Pooling & Sharing and in parallel the implementation of a incentive mechanism aimed at enhancing coordination of defence-planning;
- the development of roadmaps for implementation and for concrete capability projects;
- a reflection on future levels of defence budgets, including in terms of ratios of defence expenditure versus manpower commitments.

> *Way forward: what follow-up process would MS consider as appropriate? Is there scope for a "European defence reporting initiative", to synchronise budget planning cycles and set convergence benchmarks, a "European semester on defence" in all but name?*

The December discussion should set in motion a process through which the European Council returns to these topics at regular intervals, to monitor progress, sustain momentum and provide renewed impetus on the basis of input from the High Representative / Head of the Agency. A **robust follow-up process** will be required.

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